

<b>REQUEST FOR COUNCIL ACTION</b> CITY OF SAN DIEGO				CERTIFICATE NUMBER (FOR COMPTROLLER'S USE ONLY) N/A	
TO: CITY COUNCIL		FROM (ORIGINATING DEPARTMENT): Debt Management		DATE: 05/31/2013	
SUBJECT: Update - Tax and Revenue Anticipation Notes Issuance					
PRIMARY CONTACT (NAME, PHONE): Lakshmi Kommi,(619)236-6928			SECONDARY CONTACT (NAME, PHONE): Jyothi Pantulu, (619)236-6917		
COMPLETE FOR ACCOUNTING PURPOSES					
FUND					
DEPT / FUNCTIONAL AREA					
ORG / COST CENTER					
OBJECT / GENERAL LEDGER ACCT					
JOB / WBS OR INTERNAL ORDER					
C.I.P./CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00
FUND					
DEPT / FUNCTIONAL AREA					
ORG / COST CENTER					
OBJECT / GENERAL LEDGER ACCT					
JOB / WBS OR INTERNAL ORDER					
C.I.P./CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00
COST SUMMARY (IF APPLICABLE): N/A					
ROUTING AND APPROVALS					
CONTRIBUTORS/REVIEWERS:		APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED	
Liaison Office		ORIG DEPT.	Kommi, Lakshmi	5/31/2013	
Comptroller		CFO	Bych, Greg	6/6/2013	
		DEPUTY CHIEF			
		COO			
		CITY ATTORNEY			
		COUNCIL PRESIDENTS OFFICE			
PREPARATION OF:	<input type="checkbox"/> RESOLUTIONS	<input type="checkbox"/> ORDINANCE(S)	<input type="checkbox"/> AGREEMENT(S)	<input type="checkbox"/> DEED(S)	
Update - Tax and Revenue Anticipation Notes Issuance					
STAFF RECOMMENDATIONS: Information Only Item					
SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION)					
COUNCIL DISTRICT(S):		All Districts			

COMMUNITY AREA(S):	City-wide
ENVIRONMENTAL IMPACT:	This activity is not a “project” as defined in State CEQA Guidelines, Section 15378 (b)(4).
CITY CLERK INSTRUCTIONS:	

**COUNCIL ACTION  
EXECUTIVE SUMMARY SHEET  
CITY OF SAN DIEGO**

DATE: 05/31/2013

ORIGINATING DEPARTMENT: Debt Management

SUBJECT: Update - Tax and Revenue Anticipation Notes Issuance

COUNCIL DISTRICT(S): All Districts

CONTACT/PHONE NUMBER: Lakshmi Kommi/(619)236-6928

**DESCRIPTIVE SUMMARY OF ITEM:**

Update on the Tax and Revenue Anticipation Notes Issuance

**STAFF RECOMMENDATION:**

Information Only Item

**EXECUTIVE SUMMARY OF ITEM BACKGROUND:**

Update on the Tax and Revenue Anticipation Notes Issuance

EQUAL OPPORTUNITY CONTRACTING INFORMATION: N/A

**PREVIOUS COUNCIL and/or COMMITTEE ACTION:**

The TRANs item was presented to the Budget and Finance Committee on April 17, 2013. The Committee voted 4-0 to forward the item for City Council consideration.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: See above.

KEY STAKEHOLDERS: N/A

Kommi, Lakshmi

Originating Department

---

Deputy Chief/Chief Operating Officer



## THE CITY OF SAN DIEGO REPORT TO THE CITY COUNCIL

DATE ISSUED: June 7, 2013 REPORT NO:  
ATTENTION: Budget & Finance Committee  
SUBJECT: Update on Tax and Revenue Anticipation Notes (TRANs)

### REQUESTED ACTION(S):

Informational item. No action required.

### SUMMARY:

### **BACKGROUND**

On April 17, 2013, the Budget & Finance Committee (the Committee) heard the item "Fiscal Year 2014 Tax and Revenue Anticipation Notes". The item was brought to the Committee soon after the release of the April 15, 2013, FY 2014 Proposed Budget release, to ensure TRAN authorization from the Committee and the City Council was received in a timely manner to conduct the sale of the notes in order to make funds available by July 1, 2013. The actual determination to issue a TRAN and or the size of the borrowing occurs after the completion of the detailed cash flow and tax analyses for the General Fund (including available Policy Funds).

Historically, the City has issued TRANs to finance the General Fund cash flow needs in anticipation of the receipt of property tax revenues from the County in December and April of each year. I.e., TRANs were the cash flow tool to bridge the interim gaps in the City's internal cash capacity during the fiscal year. The California Government Code, City Charter, and federal tax laws permit the use of TRANs as a debt instrument if the City projects a temporary cash deficit to meet City's projected appropriated expenditures for the fiscal year. Since it is a temporary financing tool to access during the fiscal year, principal and interest for TRANs are also required to be set aside and repaid from the current year revenues.

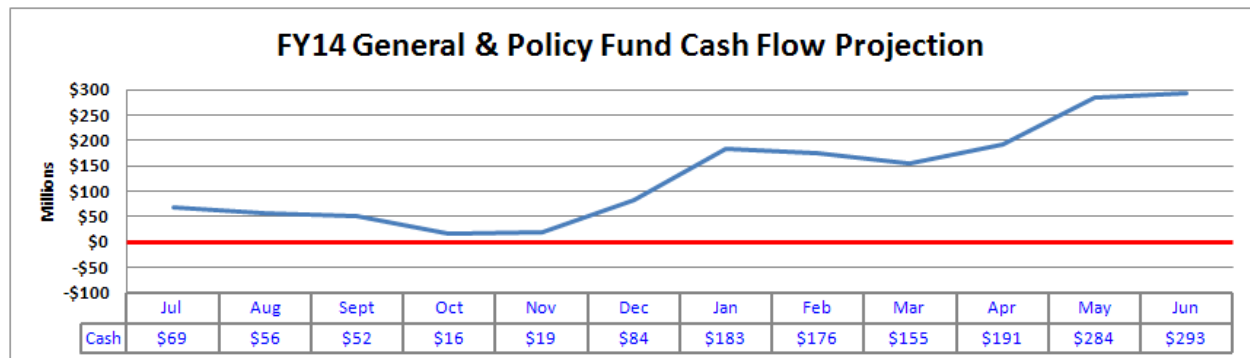
### **DISCUSSION**

TRANs is an annual borrowing tool available to the City if the City determines there is insufficient cash to fund General Fund operations during the fiscal year. The determination of the projected size of the temporary cash deficit in the fiscal year establishes whether there is a need for a TRAN issue and the size of that offering. Generally, this evaluation is dependent on

the revenue and expenditure trends projected in the Proposed Budget for the fiscal year and the available general purpose cash balances that the City Treasury expects to possess at the beginning of the fiscal year. If the City concludes that there is sufficient available cash balances in the General Fund and related policy funds to meet all ongoing General Fund expenditures when due, a TRAns issue would not be necessary for that fiscal year. Various legal, tax law standards, and historical precedentsoffer guidelines to the City in evaluating what sources of cash should be considered as available cash in preparing the General Fund interim cash deficit projections.

With respect to the Fiscal Year 2014 General Fund cash projections, based on the monthly cash flow analysis conducted by the Comptroller's Office and relying on the above described framework, a TRAns would not have to be conducted and closed by July 1. Based on projected beginning balances of \$330 million as of July 1, 2013, which takes into account a projected increase in reserve levels as described in the Fiscal Year 2013 year end budget report to the City Council, and available fund balances in other eligible funds as of June 6, 2013 projections, and factoring the revenues and expenditures associated with the current Fiscal Year 2014 budget, the City would not fall into a cash deficit in the coming fiscal year. As can be seen from the chart below, the low cash months of October and November are not projected to be negative cash, as has been the case in recent prior years.

The cash position will continue to be monitored carefully throughout the fiscal year along with the actual budget trends and if it is determined there is a need for a note borrowing later in the fiscal year, prior to the receipt of property taxes in December, the note authorization packet will be prepared for City Council approval. The City does still have the ability to issue a TRAns if any deficits in the actual revenue and expenditure trends substantially deviate from current assumptions which are based on FY 2014 Proposed Budget and the projected year end results for Fiscal Year 2013.




## **FISCAL CONSIDERATIONS**

A TRAns offering for Fiscal Year 2014 would have entailed estimated issuance costs of \$130,000, for financial advisory services, bond and disclosure services, paying agent fees, rating agency fees, and preparation and filing of the preliminary official statement. These funds are included in the Fiscal Year 2014 Proposed Budget in the City's Tax and Revenue Anticipation Notes Fund (Fund No. 100005). The Mayor's recommendation is to maintain these funds in this account if a TRAns offering needs to be conducted later in fiscal year 2014 as described above.

A 12 month TRANs note offering is estimated to have a gross interest cost of \$220,000 (assuming \$100.0 million issuance need) to the City and net interest cost of \$164,000. This estimated cost will be additional savings to the General Fund without the projected need for a TRAN issue for Fiscal Year 2014.

  
Lakshmi Kommi  
Debt Management Director

  
Ken Whitfield  
City Comptroller

  
Greg Bych  
Interim Chief Financial Officer